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(4) Construction of quarters for the staff at the Agricultural College, Coimbatore.

IV. Scheme which the Committee are unable to recommend for adoption—Nil.

23. *Supplementary demand.*—The Committee accepted the proposal to move for a supplementary demand of Rs. 13,662 under the head '22. General Administration' to meet additional expenditure in connexion with His Excellency the Governor's Bodyguard.

24. The following papers were placed on the table :—

(1) G.O. No. 1233, Judicial, dated 4th November 1922, sanctioning good conduct pay to Police head-constables in the City.

(2) G.O. No. 901, Finance, dated 21st October 1922, reviewing the final statements showing the transactions of the Provincial Advances and Loan Account for 1921-22.

(3) Note showing the present position regarding funds for payment of commutation of pensions debitable to Provincial Revenues in 1922-23.

(4) G.O. No. 820, Public, dated 12th October 1922, sanctioning the appointment of temporary Deputy Secretaries for the Local Self-Government Department and the Finance Department.

FORT ST. GEORGE,
11*th December* 1922.

C. G. TODHUNTER.

APPENDIX B.

[*Vide* page 1012 *supra.*]

To

THE HONOURABLE THE LEGISLATIVE COUNCIL
OF THE GOVERNOR OF MADRAS.

We, the undersigned members of the Select Committee to which the Bill to regulate State Aid to Industries was referred, have considered the Bill and have now the honour to submit this our report, with the Bill as amended by us annexed thereto.

2. The Bill was published in the *Fort St. George Gazette* in English, Tamil, Telugu, Malayalam, Kanarese and Hindustani on the 29th August 1922 and in Oriya on the 5th September 1922.

3. We did not examine any witnesses Two petitions sent by the Nattukottai Nagarathars' Association and the Hides and Skins Merchants' Association requesting that seats should be allotted to them on the Board of Industries through election were read and it was agreed that their cases should be considered by Government when making nominations.

4. In the *preamble* we have inserted a sentence to show that the previous sanction of the Governor-General has been obtained to the passing of this Act.

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5. *Clause* 3.—We consider it desirable that the constitution of the Board should be specified in the Act itself and not left to be prescribed by rules; that the number of members should be not more than 12 and not less than 10; that two members of the Board should be elected by the Madras Legislative Council and one member each by the Madras Chamber of Commerce, the Southern India Chamber of Commerce and the Madras Trades Association; that the Director of Industries, Madras, and the Secretary to the Government of Madras in the Finance Department should be *ex officio* members; that not more than three of the members including the two *ex officio* members should be officials; and that one member should be a representative of banking interests.

We considered the question of providing for the election of representatives of certain other interests such as mufassal Chambers of Commerce, particular industries and landholders but concluded that it is undesirable to increase the strength of the Board and that it is better to leave it to Government to nominate members to represent important interests where such interests are not already represented.

Sub-clause 2 (now sub-clause 3) has been amended to make its meaning clearer.

6. *New clause.*—We have inserted a new clause between clauses 3 and 4 in order to ensure that no aid shall be given by the local Government to any industrial business or enterprise except under the provisions of this Bill.

7. *Clause* 4 (*now clause* 5).—We considered certain objections raised to clause 4 (*b*) [now clause 5 (1) (*b*)] but decided to retain it unaltered.

We have provided that every company to which aid is given should be registered in India on a rupee capital and, where required by the Government, should have a proportion of Indian directors on its board of management.

We have further provided that any recipient of aid shall make arrangements for the training of apprentices if so required.

8. *Clause* 5 (*now clause* 6).—Sub-clause (*e*) has been amended so as to restrict the grant of this form of aid to joint-stock companies and to make the sub-clause consistent with the proviso to clause 15.

9. *Clause* 6 (*now clause* 7).—The Government should be able to delegate powers to grant State aid to cottage industries.

We consider it unnecessary to raise the limit of Rs. 10,000 in respect of the amount which may be granted by a subordinate authority.

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10. *Clause* 7 (*now clause* 8).—No aid should be granted when the Board of Industries unanimously advises rejection of an application.

We have made provision for the appointment of district advisory committees.

11. *Clause* 10 (*now clause* 11).—The Government should be empowered to call for returns of products sold both as regards description and quantity.

12. *Clause* 14 (*now clause* 15).—The proviso has been redrafted so as to make its intention clearer.

13. *Clause* 16 (*now clause* 17).—The recipients of State aid should be permitted to suggest how the reserve fund should be used but its utilization should require the approval of the Government.

14. *Clause* 18 (*now clause* 19).—The Government should be empowered to make rules regulating the following matters :—

(i) the purposes for which aid may be given ;

(ii) the formalities and the manner of creating a mortgage or floating charge under section 9 ;

(iii) the functions of Government directors appointed under section 11 ;

(iv) the constitution of district committees.

15. The remaining amendments are verbal or consequential.

16. We consider that the Bill has not been so altered as to require republication.

K. V. REDDI.
C. G. TODHUNTER.
K. SRINIVASA AYYANGAR.
C. P. RAMASWAMI AYYAR.
P. TYAGARAYA CHETTIYAR.
JOHN MATHAI.
O. TANIKACHALA CHETTI.
M. SADULLA BADSHA.
V. A. VANDAYAR.
V. P. PAKKIRISWAMI PILLAI.
C. V. VENKATRAMANA AYYANGAR.
A. Y. G. CAMPBELL.
M. KRISHNAN NAIR.
B. MUNISWAMI NAYUDU.
GOVINDDOSS CHATHURBUJADOSS.
W. ALEXANDER.

[19th December 1922

[**Note—The alterations made by the Select Committee are printed in italic type**]

BILL NO. 8 OF 1922.

A

BILL

TO

Regulate State Aid to Industries

Preamble. WHEREAS it is expedient to give power to the Local Government to assist in the establishment and development of industries in the Presidency of Madras; *and whereas the previous sanction of the Governor-General has been obtained under section* 80 (*a*) *of the Government of India Act to the passing of this Act*; It is hereby enacted as follows :—

Short title. **1**. (1) This Act may be called the Madras State Aid to Industries Act.

(2) It extends to the whole of the Presidency of Madras.

Director of Industries. **2**. The Local Government may appoint any officer or *other* person to perform all or any of the functions of the Director of Industries under this Act.

Board of Industries. **3**. (1) (*a*) There shall be constituted a Board of Industries consisting of not less than *ten* and not more than twelve members *including* the Chairman *and the* ex officio *members. Not more than three of the members shall be Government officials.*

(*b*) *One of the members shall be elected by the members for the time being of the Madras Chamber of Commerce; one by the members for the time being of the Southern India Chamber of Commerce; one by the members for the time being of the Madras Trades Association; and two by the members of the Madras Legislative Council. The election shall be conducted in such manner as may be prescribed. A return of the name of every person so elected shall be made to the Local Government by the Chairman of the Chamber or Association concerned and by the Secretary to the Legislative Council, respectively and such return shall be published in the* Fort St. George Gazette.

(*c*) *The Director of Industries, Madras, and the Secretary to the Government of Madras in the Finance Department, shall be* ex officio *members of the Board of Industries.*

(2) *The Chairman and the remaining members shall be appointed by the Local Government by notification in the* Fort St. George Gazette, *provided that, if banking interests are not represented*

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by election, one of the persons so appointed shall be a person representing such interests.

(3) *The Board of Industries shall* assist the Local Government in dealing with applications for the grant of State aid under this Act.

(4) *No member shall vote on or take part in the discussion of any question coming up for consideration at a meeting of the Board of Industries if the question is one in which he has any direct or indirect pecuniary interest by himself or his partner or in which he is interested professionally on behalf of a client or as agent for any person other than the Government, a local authority or a Railway Company.*

4. *No aid shall be given by the Local Government to any industrial business or enterprise except in accordance with the provisions of this Act.*

5. (1) The industries to which aid may be given under this Act shall be such as have an important bearing on the economic development of the country and shall be: Industries to be aided.

(*a*) new or nascent industries, or

(*b*) industries to be newly introduced into areas where such industries are undeveloped, or

(*c*) cottage industries.

(2) *No such aid shall be given to any joint-stock company unless:*

(*a*) *the same is registered in India on a rupee capital, and*

(*b*) *the company conforms to such rules as may be made by the Local Government from time to time requiring that a minimum number or a proportion of the members of its board of management shall be Indians.*

Provided further that every recipient of aid under this Act shall make such provision for the training of apprentices as the Local Government may, from time to time, prescribe.

(3) The decision of the Local Government as to whether the conditions of this section are fulfilled shall be final.

6. Subject to the provisions of this Act and of the rules framed thereunder, the Local Government shall have power to give aid to an industrial business or enterprise in one or more of the following ways:— Method of giving State aid.

(*a*) by *granting* a loan;

(*b*) by guaranteeing a cash credit, overdraft or fixed advance with a bank;

(*c*) by *paying* a subsidy for the conduct of research or for the purchase of machinery;

(*d*) by subscribing for shares or debentures;

(*e*) by guaranteeing a minimum return on *part of the* capital *of a joint-stock company*;

(*f*) by making a grant on favourable terms of land, raw material, firewood or water, the property of the Local Government.

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7. The Local Government may delegate the power to grant State aid under *section* 6, provided that no authority to whom such power is delegated shall be empowered to grant aid to any one industrial business or enterprise of an amount or of value exceeding Rs. 10,000.

Application for State aid and procedure in dealing with applications.

8. (1) Any person desiring to obtain a loan or other aid for any industrial business or enterprise shall make his application to the Director of Industries in such form and shall furnish such information concerning his business as may be prescribed.

(2) If the extent of the aid applied for exceeds Rs. 50,000 and in any other case in which he considers this procedure necessary, the Director of Industries shall publish a notice in the prescribed manner calling upon any person who objects to the grant of the aid applied for to state his objections at a time or place to be specified, and shall hear such objection and make such inquiry as may be necessary.

(3) Every application for aid shall be placed before the Board of Industries for advice.

(4) *The Local Government may constitute district committees for the purpose of advising on applications for aid.*

(5) *No aid shall be granted under this Act if the Board by a unanimous resolution at a meeting advises the rejection of the application.*

Grant of loans.

9. No loan shall be granted of an amount exceeding 50 per cent of the net value of the assets of the industrial business or enterprise after deducting existing encumbrances, such value to be ascertained by such person as may be appointed by the Local Government and in accordance with such rules as may be prescribed; for the purpose of this valuation the additional assets which *may* be created by the expenditure of the sums granted may be taken into account to such extent as may be prescribed.

Loans how secured.

10. Every loan granted under this Act shall be secured by a mortgage or floating charge upon the whole of the assets of the business or enterprise, subject to any encumbrances existing at the time of the grant, and by such collateral security, if any, as may be required by the Local Government, and shall bear interest payable on such dates and at such rates as the Local Government may determine.

Inspection and returns.

11. In any case in which a loan has been applied for under this Act, the applicant, and at any time during the currency of a loan that has been granted under it, the grantee, shall be bound—

(*a*) to comply with any general or special order of the Local Government relative to the inspection of the premises, buildings, or plant or stock in hand of the industrial business or enterprise;

(*b*) to permit the inspection of all accounts relative to the industrial business or enterprise;

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(*c*) to furnish full returns of all products manufactured *or sold* both as regards description and quantity;

(*d*) to maintain such special accounts or to furnish such statements as the Local Government may from time to time require;

(*e*) to submit the accounts of the industrial business or enterprise to such audit as the Local Government may prescribe.

Control of business assisted.

12. In any case in which a loan or loans is or are granted under this Act amounting to two lakhs of rupees or upwards, the Local Government shall, and in any other case may, by the appointment of Government directors or otherwise, take power to ensure such control over the conduct of the business or enterprise as shall suffice in their opinion to safeguard their interests.

Repayment of loans.

13. (1) Every loan granted under this Act shall be made repayable by instalments within such period from the date of the actual advance of the loan, or when the loan is advanced in instalments from the date of payment of the last instalment, as may be fixed by the order granting the loan.

(2) The period fixed as aforesaid shall not exceed twenty years unless the Local Government shall, by general or by special order, extend *the same.*

Guaranteeing of loans by banks.

14. No guarantee of a cash credit, overdraft or fixed advance with a bank shall be given except under the conditions prescribed in sections 9 to 12 in respect of loans.

Subscriptions for shares or debentures or guarantee of a minimum return on capital.

15. The condition of subscription for shares and debentures by the Local Government or the guarantee of a minimum return on the capital of any industrial business or enterprise shall be that the business or enterprise shall be subject to the conditions of section 11 in respect of inspection and returns as well as of the provisions of section 12 in respect of Government control:

Provided (*a*) *that for all shares subscribed by the Government there must be taken up and fully paid for not less than an equal number of shares;*

(*b*) *that for all capital on which a return is guaranteed by Government there shall be paid up not less than an equal amount of capital which carries no guarantee.*

Subsidy by the Local Government

16. The condition of *a* grant of subsidy or of any payment under guarantee of a minimum return on the paid-up capital or of the grant of Government land, raw material, firewood or water on favourable terms, shall ordinarily be that an amount equal to the sum paid or to the value of the grant as fixed at the time when it is made shall be repaid to the Local Government at the close of a fixed term of years if within that term the industrial business or enterprise shall be shown to be paying interest or a dividend upon the capital invested in excess of such rate as the Local Government may fix.

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No subsidy shall exceed 40 per cent of the cost of the research or of the cost of the machinery as the case may be.

Disposal of profits when condition of *State aid* is not fulfilled.

17. No recipient of State aid shall pay any dividend or distribute or take any profits in excess of such percentage rate upon the amount of the capital of the industrial business or enterprise as the Government may fix from time to time until the conditions on which the State aid has been granted are fulfilled. The balance of the profits, after setting aside proper amounts for depreciation or obsolescence of plant and buildings, and for the payment of interest on debentures of loans, shall be carried to a reserve fund to be utilized in such manner as the Government may *approve*.

Methods of recovery of money due.

18. (1) All moneys payable under this Act, including any interest chargeable thereon and costs, if any, incurred, if not paid when due, may be recovered from the person aided and his surety, if any, under the law for the time being in force as if they were arrears of land revenue.

(2) When any sum due as aforesaid is paid by the surety or is recovered from him or out of his property under sub-section (1), the Collector shall, on the application of the surety, so far as possible, recover the same from the person aided and pay the same to the surety.

Power to make rules.

19. (*a*) The Local Government may make rules to carry out all or any of the purposes of this Act not inconsistent therewith.

(*b*) In particular and without prejudice to the generality of the foregoing power, they may make rules regulating all or any of the following matters :—

(1) the classes of industrial businesses or enterprises to which *and the purposes for which* aid may be given ;

(2) the constitution of the Board of Industries, *the term of office of its members*, the quorum at the Board's meetings, the method of arriving at its decisions, the appointment of its staff, the remuneration of its members and all other matters relative to the conduct of its business ; *and the constitution and functions of district committees* ;

(3) the delegation of the power to grant State aid under section 7 ;

(4) the manner of making applications for State aid and the information to be given in such applications, provided that no such rule shall require any applicant or grantee of aid to divulge any information relating to the technical details of any process or any patent owned by him ;

(5) the manner of conducting inquiries and the matters to be specially inquired into in dealing with applications for State aid and the powers to be exercised by the Director of Industries conducting such inquiries ;

(6) the *mode* of ascertaining the value of the assets of an industrial business or enterprise ;

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(7) the nature of the security to be taken for the due application of loans and grants and the rates of interest at which and the conditions under which loans or grants may be given, *and the creation of a mortgage, floating charge or collateral security under section* 10;

(8) the inspection of the premises, buildings, plant and stock on hand and the accounts of any industrial business or enterprise for which State aid has been granted;

(9) the *mode* of keeping and auditing the accounts and of furnishing returns of any industrial business or enterprise in respect of which State aid has been granted;

(10) the appointment *and functions* of Government directors or the prescribing of other methods of control of industrial businesses or enterprises in respect of which State aid has been *granted*;

(11) the application of profits in cases in which the conditions under which loans or grants have been made have not been fulfilled;

(12) the guaranteeing by the Local Government of cash credits, overdrafts or fixed advances by banks and the recognition of banks for this purpose;

(13) the fixing of the period for the repayment of loans and the conditions and dates of the repayment of subsidies and grants; and

(14) the recovery of any moneys due under this Act.

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TRUTH ALONE TRIUMPHS